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C O N F I D E N T I A L SECTION 01 OF 02 ANKARA 000200

SIPDIS

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ANKARA PASS TO ADANA

EEB FOR A/S SULLIVAN  
EUR FOR DAS BRYZA  
EEB FOR MANN  
DOE FOR HEGBURG

E.O. 12958: DECL: 12/13/2014  
TAGS: [ENRG](#) [EPET](#) [TU](#)  
SUBJECT: GOT EXPLAINS WHY GAS TO GREECE IS SHUT OFF  
REF: ANKARA 00035

Classified By: Economic Counselor Dale Eppler for reasons 1.4 (B) and (D)

¶1. (C) Summary: BOTAS (state gas pipeline company) Chairman and General Manager Saltuk Duzyol told us that he cannot supply both the domestic Turkish market and meet supply commitments to Greece because of both deep and sustained supply cuts from Iran and supply reductions from Azerbaijan. Duzyol disputed the characterization of Turkey as an unreliable supplier to Europe in the Wall Street Journal, saying Turkey had a contractual right to reduce gas to Greece when Azeri supply is reduced, and that his Greek counterparts have only expressed concern about the higher price they are paying for Russian gas, not about the security of their supply. Duzyol claims Turkey has been supplying Greece with gas intermittently since January 22, although at low levels. Turkey is paying a very high price to buy spot market gas and to switch power plants to alternative fuels, and politically it is impossible to send low-cost gas to Greece while paying very high costs at home for alternative supplies. He expressed optimism that gas shipments to Greece would be resumed in a week or 10 days. End summary.

Turkey Gas to Greece Cut Off?  
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¶2. (C) According to press reports, Turkey cut off gas flows to Greece on January 8. According to Duzyol, Turkey resumed gas supplies to Greece gas company DEPA on January 22, the day before Greek PM Karamanlis' visit to Turkey. Duzyol claims gas to Greece has been on and off intermittently since January 22 as Turkey tries to meet its domestic needs. Duzyol said that supply levels were often very low, and that the monitoring equipment at the Greece-Turkey border could not detect volumes below 20 thousand cubic meters/hour. (Comment: This rational may be a little too convenient as there is no way to prove or disprove the low gas supply assertion. End comment.)

Supply Woes from Iran Lead to Greece Cut Off  
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¶3. (C) We raised with Duzyol the Feb 4 Wall Street Journal article that questioned Turkey's reliability as a gas

supplier to Europe due to its supply cut off to Greece. Duzyol was surprised at the article's characterization and said it was unfair. He said gas supply cuts from Iran and Azerbaijan gave him no other choice. Gas supplies from Iran (28.5 million cubic meters/day) were cut completely from January 7 until January 27. Since then, daily gas flow from Iran has been a trickle of the normal volumes, averaging 1.5-2 MCM/day. Duzyal said that Turkey has been paying a very high price to make up for the shortfalls in Iranian gas and meet domestic demand. The GOT has been buying natural gas on the LNG spot market at a price 3.5 times higher than the average gas price in Turkey. The Ministry of Energy and Natural Resources (MENR) exercised a contract option with power generators to switch to fuels other than gas. While this reduces gas use and keeps electricity flowing, the alternative fuels, mainly diesel and heavy fuel oil, are much more expensive than gas, and MENR has to absorb those expenses. (Reftel) The price difference is not passed on to the consumer. Duzyol said this creates a political problem, because he cannot justify the cost of replacing gas that goes to Greece at a time when the government is being harshly criticized in the press already for the enormous cost of meeting the natural gas shortfall.

#### Supply Woes from Azerbaijan

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14. (C) Duzyol claims that since July, Azerbaijan has not been able to meet its contracted supply volumes. By contract, Azerbaijan is supposed to supply 14.4 MCM/day, but Turkey has been receiving only 13.7 MCM/day. The difference in these two figures is about half of what Turkey is contracted to send to Greece. According to Duzyol, Turkey's

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contract with Greece is linked to Azeri volumes, which means that Turkey has a contractual right to reduce volumes to Greece if Azerbaijan fails to deliver. (Note: In a separate meeting with BP Turkey Natural Gas Manager Oktay Sen, we understand that Turkey has not completed work on its compressor or monitor stations, so it depends on the Shah Deniz consortium to inform it about the levels of gas entering Turkey. End note.)

#### Outlook for Getting the Gas Back On

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15. (C) Duzyol claims that his counterparts at DEPA are not concerned with security of supply or Turkey's reliability, but about price. The price Greece pays for TGI gas is below the Russian price. Again, Duzyol reiterated his concern that he can't justify selling "cheap gas" to Greece when Turkey is paying three times the price to import gas for its domestic market. Duzyol appealed for patience as he struggles to keep the lights on in Turkey. He said BOTAS expects to resume gas supplies to Greece in a week to 10 days.

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